

EXPLANATION OF BALANCE SHEET ACCOUNTS

Fund Equity Section (345 - 399)

345 - 364 OPEN

Fund Balance - Reserves (365 - 389)

The function of reserved fund balance is to separate that portion of the fund balance that represents funds not available for spending in the subsequent year's budget as well as legal restrictions on spending that was outstanding at the year end.

- 365 Fund Balance Reserved for Encumbrances - This account is normally used in governmental funds. A portion of the fund balance is segregated for expenditures contingent upon vendor performance.

This account is:

DEBITED - at the end of every month to cancel encumbrances upon performance on the purchase orders and commitments. Any outstanding amount at year end is debited, prior to reserving the fund balance, to close out Encumbrances Account #175.

CREDITED - every month end with the amount of purchase orders and commitments made during the month. Corresponding debit is made to Encumbrances Account #175. Account #365 is also credited at year end to adjust the actual fund balance to indicate the portion segregated for expenditures upon vendor performance. The corresponding debit is made to Unreserved Fund Balance - Account #390.

Fund Balance Reserved for Encumbrances account should show up on the year end balance sheet where appropriations do not lapse at the year end, or if they do, the road commission intends to honor them.

- 366 Fund Balance Reserved for Debt Service - A portion of the fund balance is segregated for resources legally restricted to the payment debt

This account is:

DEBITED - with any reductions of restricted assets.

CREDITED - with the required amount of restricted assets.

Fund Balance Reserved For Debt Service account should show up on the year end balance sheet where assets are legally required to be set aside for future principal and interest payments.

- 367 Fund Balance Reserved for Prepaids - This account is normally used in governmental funds. A portion of the fund balance is segregated for payments made in advance of the period benefited.

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This account is:

DEBITED - with any reductions of prepaid assets.

CREDITED - with the amount of prepaid assets.

Fund Balance Reserved For Prepaid accounts should show up on the year end balance sheet where assets are set aside for future expenditures.

- 368 Fund Balance Reserved for Inventory - This account is used to segregate a portion of fund balance to indicate that, using the consumption method, inventory does not represent "available spendable resources" even though they are a component of net current assets, since they are not available for other discretionary expenditures. The balance in this account is usually based on the actual amount of inventory on hand at year end.

This account is:

DEBITED - with authorized reductions of the amount reserved.

CREDITED - with the amount of fund balance determined to be tied up in inventory.

- 369 - OPEN

- 370 Fund Balance Reserved for Advances to Other Units of Government - This account is used to segregate a portion of fund balance to indicate that long term advances to other units of government, do not represent "available spendable resources".

This account is:

DEBITED - with the return of part or all of a long-term advance.

CREDITED - with amounts of long term advances made to other units of government.

The offsetting debit to the credit is to the 390 Fund Balance account.

- 371-375 Open